INTERMARKET SECURITIES LTD

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Syed Waqas Imam
waqas.imam@imsecurities.com.pk
+92-21-37131600 Ext: 102

Initiating coverage

MUGHAL: Positives balance risks; Initiate with Neutral

- **We initiate coverage on MUGHAL with a Neutral rating and a TP of PkR102/sh (10% total return). Profits are expected to grow 40%YoY in FY17F due to gas supply resumption in 2QFY17. However, growth trajectory should moderate to single-digits over the medium-term, with risks emanating from increased volatility in billet prices.**
- **The 9.3MW captive power plant will be able to fire-up the furnaces on account of gas supply resumption from SNGPL (2mmcfd), which should result in annual cost savings of more than PkR1/sh. This incremental power supply has been dedicated to the melting facility since the recently imposed 15% RD has driven-up billet prices.**
- **MUGHAL trades at a FY17F P/E of 9.7x, at a discount to both the Cement sector and ASTL. This can be attributed to lower pricing power and operational disadvantages compared to both, in our view. Positive surprises can emanate from extraordinary PSDP spending ahead of 2018 elections, and CPEC.**

Uptick in earnings in FY17; moderate thereafter

We initiate coverage on Mughal Iron and Steel Industries Ltd (MUGHAL), a leading rebar producer in the Northern market, with a Neutral stance supported by a DCF-based TP of PkR102/sh. Our rating is contingent upon a blend of both progressive and adverse triggers. Long awaited power constraints are set to reduce in the wake of SNGPL's resumption of gas supply to industrial consumers, prompting MUGHAL to lift its utilization from very low levels and continue swift earnings growth for FY17F (+40%YoY). However, a 15% regulatory duty (RD) levied on billets amidst fears of anti-dumping duty imposition could moderate earnings uptick for MUGHAL. Nonetheless, the construction uptick in the economy remains intact, providing reasonable basis for demand buoyancy in the rebar industry, particularly in the run-up to 2018 elections.

Gas resumption is a bonus; utilization still lagging

SNGPL has resumed gas supply required to ignite the Captive Power Plant (CPP) with three furnaces bearing total capacity of 9.3MW (gross). The provision of 2mmcfd partially alleviates energy constraints that have for long gridlocked production despite major capacity expansions. The greater energy provision will enable MUGHAL to limit higher input costs due to a 15% RD now on billets, as it can ramp up its melting production. In addition, cost-savings may emanate from (i) lower unit cost of electricity (-36%) as gas tariff tends to be lower than national grid tariff and (ii) reheating cost savings (PkR2,000/ton) brought about by in-house melting. Maximum benefits could have been reaped out of the CPP had the energy been utilized to produce just rebars from procured billets, but this not the case. Furthermore, the recently announced PkR200/mmbtu cut in gas price still fails to compensate for the hike in billet prices needed to substitute the allocation of additional power from melting facility to the rerolling facility.

Billet imports halt; prices to shoot up

RD imposition and rising international prices have trimmed MUGHAL's margins as imports of billets have almost ceased. The local installed capacity stands at 1.5mn tons, which feeds the 2.5mn ton rebar industry. Consequently, the demand-supply deficit dictates a rise in billet prices. MUGHAL faces an alarming margin shrinkage compared to producers like ASTL and Agha Steel which tap the low cost potential by producing from an earlier point in the value chain i.e. from scrap. The increase in billet price severely hurts the rebar-billet spread which suffocates MUGHAL as it heavily relies on billet procurement by default.

Valuations: Risks prevent rerating to growth multiples

MUGHAL trades at a FY17F P/E of 9.7x where the cement industry trades at a forward P/E of 11.2x (ASTL trades at FY17F/FY18F P/E of 18.9x/10.5x). The stock trades almost at market multiples where we believe high near-term growth trajectory is balanced by risks such as potential anti-dumping duty on billets, discontinuation of gas supply etc.

Mughal Iron & Steel Industries Limited

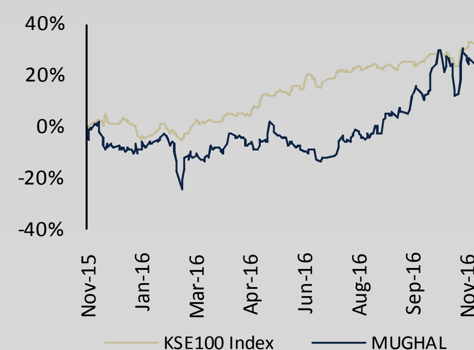
Price (PkR/sh)	96.53
TP (PkR/sh)	102.21
Stance	Neutral
Upside	5.9%
Fwd D/Y	3.6%
Total Return	9.5%
Bloomberg / Reuters	MUGHAL PA / MUGH.KA
Mkt Cap (US$mn)	115.9
52wk Hi-Low (PkR/sh)	99.59-57.88
3m Avg. Daily Vol ('000 shrs)	559
3m Avg. Traded Val (US$mn)	0.479

Mughal - Valuation Snapshot

Key Ratios	FY15A	FY16A	FY17F	FY18F	FY19F
EPS (PkR)	4.84	7.10	9.95	10.63	11.00
EPS Growth (%)	56%	47%	40%	7%	4%
PER (X)	19.94	13.59	9.70	9.08	8.77
PBV (X)	3.57	2.87	2.70	2.29	1.96
DPS (PkR)	0.50	3.00	3.50	3.50	3.50
DY (%)	0.5%	3.1%	3.6%	3.6%	3.6%
ROE (%)	24%	23%	29%	27%	24%
EV/EBITDA (x)	12.54	8.80	7.29	6.30	5.85

Source: IMS Research

Mughal vs. KSE100 Index



Source: IMS Research

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 12 & 13

Jama Punji www.jamapunji.pk

Company Profile

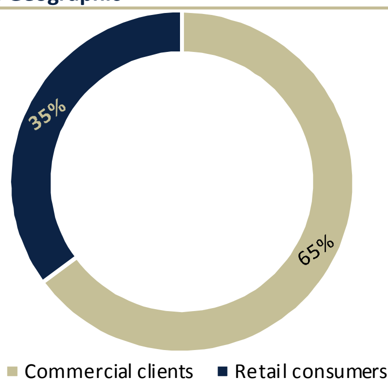
MUGHAL is one of the leading steel players in the Northern region. It has been operating in the industry since 1950s under the name of MUGHAL Traders. Manufacturing operations were initiated in 1984 when the first mini-section mills were commissioned. The Company produces wide-ranging products from making billets of Mild Steel, Spring Steel, Deformed bar, Rebar, Cold Twisted Rebar and various sections. However, the rebar production remains at the core of its business. Currently, the company has a melting capacity of 366,000 tons and rerolling capacity of 688,000 tons. In 2010, Mughal Steel was renamed to Mughal Steel & Iron Industries Ltd to cement its place as highly focused steel producer. The ownership majorly rests (approx. 75%) with the Sponsors, Directors, CEO and Children.

Commencement of operations	1984
Geographic presence	Punjab, Pakistan
Net Sales (PkRmn)- FY16	18,983
Total Assets (PkRmn)- FY16	11,786
Total Liabilities (PkRmn)- FY16	7,545
Total Market Capitalization (PkRmn)	12,143

Key Ratios	FY14	FY15	FY16	FY17F	FY18F
Sales growth (YoY)	52.0%	105.0%	55.1%	-8.0%	8.9%
Gross Margin	13.3%	11.4%	11.3%	15.6%	15.8%
EBITDA margin	11.6%	9.5%	9.6%	13.0%	13.2%
Net margin	6.5%	5.0%	4.7%	7.2%	7.0%
Leverage ratio (x)	4.30	3.37	2.78	2.99	2.70
ROE	30%	24%	23%	29%	27%
ROCE	12%	17%	28%	27%	27%

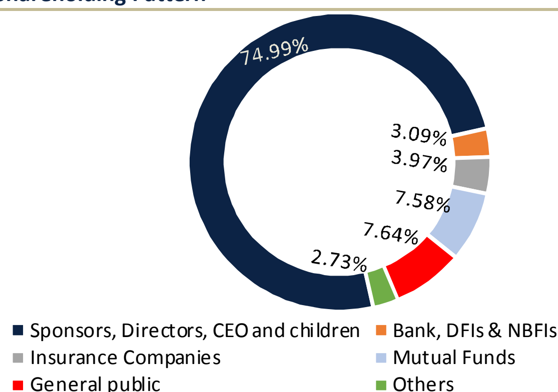
Source: Company Accounts & IMS Research

Sales Distribution Geographic



Source: IMS Research

Shareholding Pattern



Source: IMS Research

Uptick in earnings in FY17; moderate thereafter

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MUGHAL's power supply woes led to underutilization and subpar margins

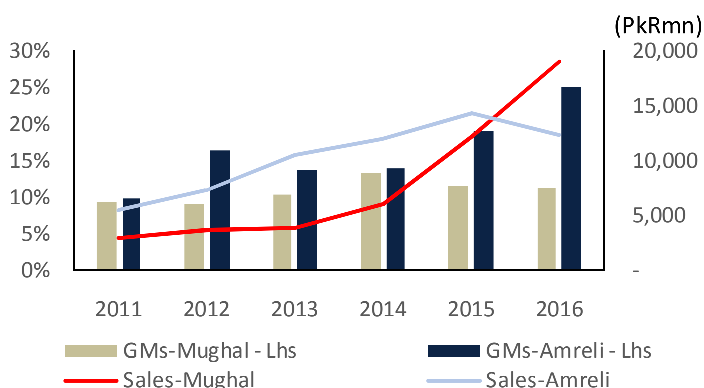
MUGHAL's expansion in FY14 has not been utilized due to power supply shortage. ASTL, however, has been able to achieve higher levels of utilization owing to smooth supply from K-electric.

MUGHAL has entered an interesting phase, where it faces a blend of positive and negative triggers. Its biggest impediment, until now, was the intermittent and scanty power supply in recent years. Unlike Amreli Steels Ltd (ASTL), the company has failed to achieve high levels of utilization. The rerolling facility utilization level hit rock-bottom of just 7% in FY13. Producers like Agha steel, Amreli Steels and Razzaque Steels capitalized on the Southern region advantage by capturing the market share lost by Northern producers.

Moreover, MUGHAL's expansion of rerolling facility back in 2014 was not matched by an expansion in the melting facility. The process created a structural gap between the melting and rerolling capacities. As a result, MUGHAL's reliance on purchased billets increased which, to some extent, could not enable MUGHAL to ensure top-level quality. Consequently, MUGHAL's average retention prices for the previous years were lower as compared to Amreli's. Amreli commanded a higher price on the back of superior quality.

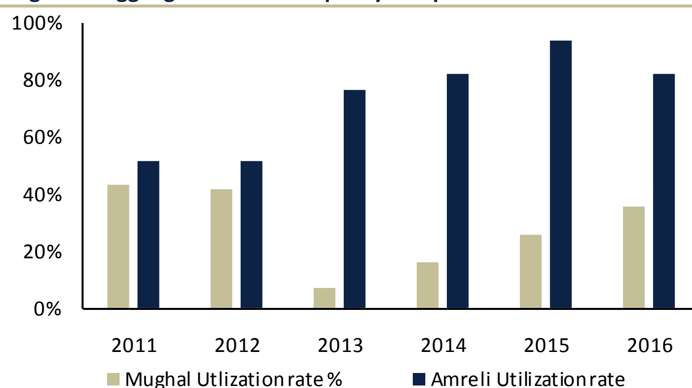
Generally, pricing power tended to remain low with local rebar producers in the presence of cheap Chinese imports. However, since imports now face an additional 15% RD duty on rebars (imposed in Jul'16), the local players will have greater pricing power once the imported inventory is completely churned out by Dec'16. However, this may not last for too long as the demand-supply dynamics are expected to balance by FY19.

Amreli's GMs considerably higher than Mughal's



Source: Company accounts

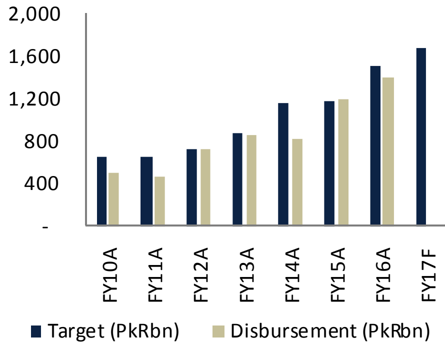
Mughal struggling to utilize its capacity compared to Amreli



Source: Company accounts

With SNGPL resuming gas supply, MUGHAL is in shape to capitalize on the incremental power supply. That said, MUGHAL's earnings growth could have been phenomenal if dark clouds weren't looming over the billets market. A duty structure to protect local billet producers is under consideration. Hence, a major chunk of additional power supply will be dedicated to the melting facility which is expected to bring about just modest growth in medium-term earnings.

Rising PSDP allocation has led construction uptick



Source: Ministry of Finance

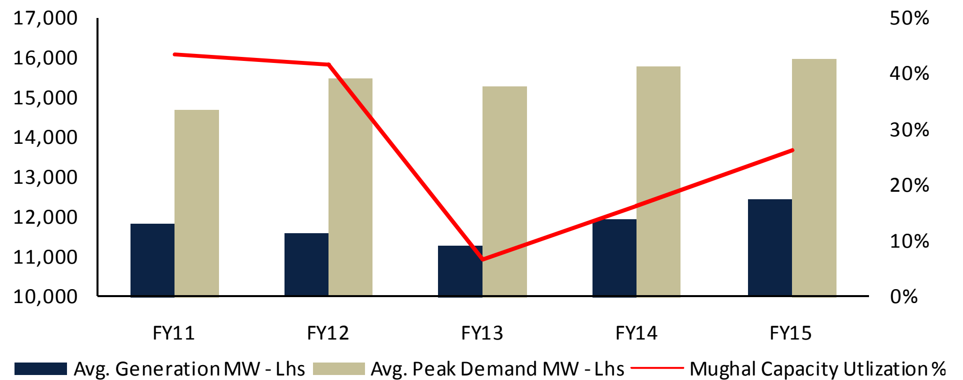
Outlook for buoyant demand remains intact

MUGHAL derives major sales revenue from its corporate sales as compared to retail sales, which requires a more widespread distribution network on ground. MUGHAL captures the demand mostly from the Northern region, as it is located in the heart of Punjab, a province with dense population and heavy construction activity. Big-ticket projects in Punjab constitute a major part of MUGHAL's sales; projects such as Sahiwal coal fired power project (1,320MW), Bhikki power project (coal; 1,180MW), Multan Metro bus project, Karachi to Gwadar Motorway and Lahore Orange Line are some of the public projects to which MUGHAL has supplied rebars. Some prominent private projects are Nishat Emporium and projects executed by Descon Engineering. It is important to note that most of the aforementioned projects are ongoing and typically require 2-3years for completion. That implies that these sales will be recurring in the next couple of years.

Utilization levels fall as energy demand deficit in North widens

The extraordinary public spending reflected in historic PSDP budget (PkR1,675bn for FY17) drives a fresh wave of demand for the construction industry. With 2018 elections ahead, GoP is determined to further intensify public spending on infrastructure projects, where PSDP utilization may remain on the higher side. In addition, China-Pakistan Economic Corridor (CPEC) is picking pace with first container docking at Gwadar, showing signs of a prospective increase in the general level of trade activities. CPEC alone has projects that exhibit a healthy demand for rebars in the years ahead and as long as there is no drastic increase in the installed capacity (2.5mn tons), traditional producers like MUGHAL are expected to fare well.

MUGHAL's utilization suffered as the power generation gap widened



Source: NEPRA and Company accounts

Gas resumption is a bonus; utilization still lagging

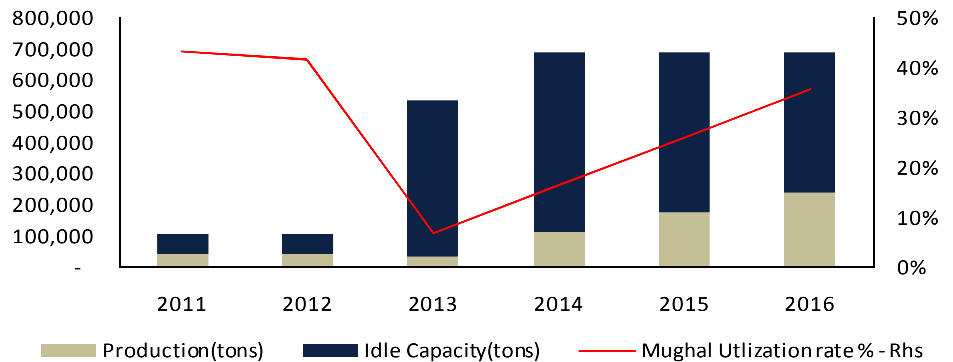
Utilization levels suffered due to intermittent power supply. MUGHAL obtained just about 20MW from the national grid, its average utilization was 28%

SNGPL has resumed gas supply required to ignite the Captive Power Plant (CPP) with three furnaces bearing total capacity of 9.3MW (gross). The provision of 2mmcfd partially alleviates energy constraints that have for long gridlocked production despite major capacity expansions. The greater energy provision will enable MUGHAL to limit higher input costs due to a 15% RD now on billets, as it can ramp up its melting production. In addition, cost-savings may emanate from (i) lower unit cost of electricity (-36%) as gas tariff tends to be lower than national grid tariff and (ii) reheating cost savings (PkR2,000/ton) brought about by in-house melting. Maximum benefits could have been reaped out of the CPP had the energy been utilized to produce just rebars from procured billets, but this not the case. Furthermore, the recently announced PkR200/mmbtu cut in gas price still fails to compensate for the hike in billet prices needed to substitute the allocation of additional power from melting facility to the rerolling facility.

Energy holding back growth in the North

The producers in the Northern region have suffered excessively due to power shortage in recent years where the supply from the national grid to industrial consumers has been unreliable and inadequate for optimal production levels. Peak demand periods have coincided with low utilization levels at MUGHAL's plant, resulting in the company failing to compete with producers located in the South. They benefitted from better supply from K-Electric to industrial consumers. Last decade has witnessed gas provision at alarmingly low levels as the shortfall was aggravated due to CNG cars and rapid increase in demand. MUGHAL's gas-run captive power plant (Net Capacity 8.1 MW) was unutilized and leased-out owing to gas shortfall for the last four years.

Insufficient power supply hurting utilization levels



Source: Company accounts

Some gas to provide breather

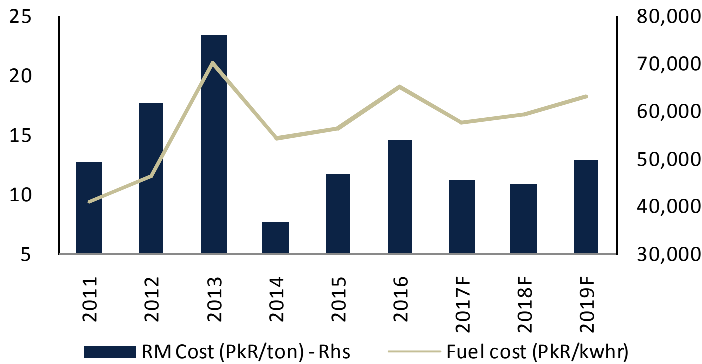
2mmcfd gas to produce 8.1MW power by igniting the captive power plant. The plant was, previously, leased-out due to gas supply break-off.

The 2mmcfd gas provision since the beginning of 2QFY17 has activated three idle furnaces with capacity of 9.3MW (currently net generation: 8.1MW). We have assumed a conservative power addition in the first year (4.5MW) and increased utilization of the CPP thereafter. Also, gas supply has resumed since Oct'16, where we have conservatively assumed CPP operations for half of FY17F. The incremental power would be majorly dedicated to the melting facility while the residual will be used to convert billets to rebars in the rerolling facility. It is worth noting that the quantum of power which produces 1 ton of billets can be used to produce 6.5 tons of rebars instead. The abovementioned rationing would produce additional 32,000 tons of billet and 30,800 tons of rebars in FY17F. We estimate earnings contribution from the gas supply will add PkR1.1/sh to FY17F earnings, and gradually rise to a PkR2.6/sh by FY20F when the captive plant operates at its maximum capacity.

Supplementary benefits courtesy gas supply resumption

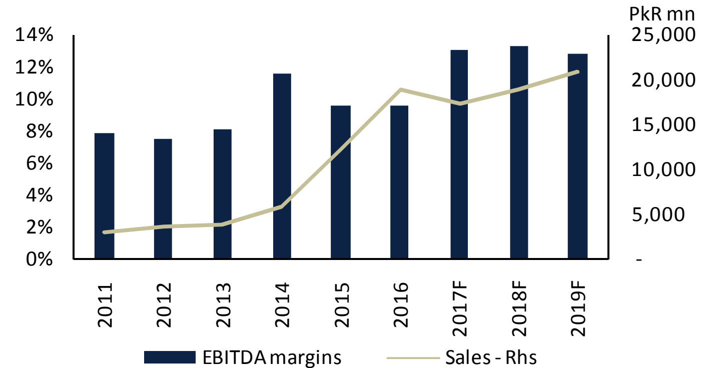
The gas supply has far-reaching effects on the cost structure of MUGHAL. Previously, MUGHAL used to purchase ready-made billets which involved reheating before they could be rerolled into bars. Therefore, a considerable cost was incurred with regards to reheating which ate up MUGHAL's already thin margins (as compared to ASTL). However, cost of production will be lower to the extent of rebars being produced from internally produced billets. Resultantly, the quantum of savings are expected to be approximately PkR2,000/ton. However, on a marginal basis, MUGHAL could save PkR280/ton average on total production in FY17F, which would improve to PkR688/ton beyond FY19F. Secondly, the electricity produced in-house will be much cheaper. The per unit cost of power generated on gas is cheaper by almost 36% as compared to the national grid. Hence, the additional production comes at a lower marginal cost, improving MUGHAL's cost efficiencies.

Raw material and fuel costs taking a dip



Source: IMS Research

EBITDA Margins increasing



Source: IMS Research

Gas price slashed; not enough to direct additional power towards rerolling facility

ECC has approved a gas price cut of PkR200/mmbtu for the industrial users

Captive power plant is supplying less than 30% of Mughal's total power supply requirement.

In an interesting turn of events, the GoP has unexpectedly approved gas price cut of PkR200/mmbtu for industrial consumers. MUGHAL's captive power plant requires gas supply which produces power amounting to 29% of the total power consumed. Nevertheless, the reduction in the fuel cost due to lower gas prices is not sufficient enough to match the rise in raw material cost triggered by the RD duty. Since the billet price hike could not be passed on to the final consumer, the savings in fuel do not provide enough room to absorb the raw material cost hike due to RD duty, in our view. Therefore, MUGHAL will direct its additional power supply towards the melting facility even after the gas price cut.

Billet Imports halt; prices to shoot up

RD imposition and rising international prices have trimmed MUGHAL's margins as imports of billets have almost ceased. The local installed capacity stands at 1.5mn tons, which feeds the 2.5mn ton rebar industry. Consequently, the demand-supply deficit dictates a rise in billet prices. MUGHAL faces an alarming margin shrinkage compared to producers like ASTL and Agha Steel which tap the low cost potential by producing from an earlier point in the value chain i.e. from scrap. The increase in billet price severely hurts the rebar-billet spread which suffocates MUGHAL as it heavily relies on billet procurement by default.

Current Duty Structure

Product	Custom duty	Regulatory duty	Sales Tax
Scrap	3%	5%	PkR5,600/t
Billets	5%	15%	17%
Rebars	5%	30%	17%

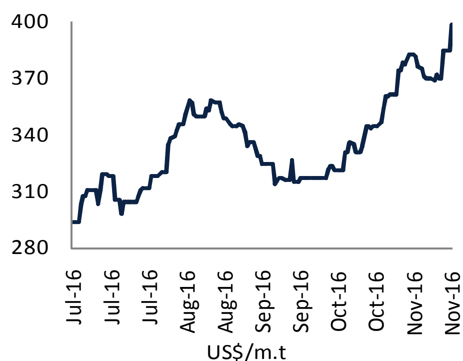
Source: FBR

* CD & RD on assessed value(net of Landing charges and insurance)

Inherent disadvantage due to lower melting capacity in Pakistan

By design, MUGHALS's rerolling capacity (688,000 tons) exceeds its melting capacity (588,000 tons). If 5% wastage is assumed in the rerolling procedure, for MUGHAL to operate at 85% capacity (584,800 tons of Rebar), it needs to produce 615,579 tons of billets from its melting process. The divergence is met by procuring ready-made billets locally or internationally. This naturally exposes MUGHAL to the volatility in billet prices in addition to the volatility in scrap prices. The volatility in billet prices has aggravated due to the imposition of a 15% Regulatory duty since the start of FY17. It is expected to further worsen due to a potential antidumping duty imposition for 5 years (decision expected within the next 4-6months). In our view, since the local billet production would fail to meet the total demand, the billet prices will inevitably move upwards, and hurt MUGHAL's margins. Even if MUGHAL directs the incremental power supply towards the melting facility, it will not produce adequate number of billets for its present production of rebars. Therefore, MUGHAL is inherently at a disadvantage till it expands the melting capacity.

International Billet prices on the rise



Source: Bloomberg

What could have been…

Worst Case Scenario

The gas supply is abandoned which will put the CPP at halt. The company will have to settle for the current level of rebar production while importing or purchasing billets from the local market at bloated prices. MUGHAL will be uncompetitive on its cost structure.

Base Case Scenario

The increase in the billets prices owing to 15% RD is posing a serious threat to MUGHAL. Therefore, directing additional power generation to the melting facility appears to be a wiser strategy. Hence, a major chunk of additional power supply will be dedicated to the melting facility which is expected to bring just about modest medium-term earnings growth while maintaining market share.

Blue-Sky Scenario;

In case the regulatory duty is lowered or billet prices in the international market retract to low levels, it would be more feasible for the company to dedicate the entire additional power supply from CPP towards the rerolling facility. MUGHAL will be able to pass on the higher cost in procuring those billets to the final consumer and therefore, it can reap maximum market share.

(see table & sensitivity on the next page)

Worst Case Scenario	Base Case Scenario	Blue-Sky Scenario
Gas supply abandoned Underutilization of rerolling facility persists Bearing a higher RM cost due to 15% RD on billets	Major allocation of additional power supply from gas towards melting facility (85%) Billets production up Rebar production up Rerolling utilization remains low at 36%/39% in FY17/FY18 GP margins improve due to lower heating cost and cost of production Billet prices rising due to a 15% RD	100% Allocation of additional power from gas supply towards the rerolling facility No RD on the billets Rebar production up 73% Rerolling utilization 62%/82% in FY17/18

	Worst Case Scenario		Base Case Scenario		Blue Sky Scenario	
	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F
Total Production(rebars tons)	243,600	243,600	248,342	269,371	423,115	563,308
GM margins	14%	13%	16%	16%	15%	14%
EPS (PkR)	7.61	7.19	9.95	10.63	15.66	19.81
TP June'17(PkR/share)	70		102		155	

Valuations: Risks prevent rerating to growth multiples

Rf Rate	8.00%
Beta	1.05
Cost of Equity	14%
Avg. Cost of Debt	8.05%
Avg. WACC	12%
Terminal Growth rate	3%

Our DCF-based TP of PkR102/sh offers a 1yr total return of 10% (including D/Y of 3.6%). Terminal growth rate is assumed to be 3% with a risk-free rate of 8%.

MUGHAL currently trades at a FY17F P/E of 9.70x which is at a 16% discount to the Cement sector and 90% discount to ASTL (discount to ASTL trims to 16% on FY18F earnings). It justifiably trades at a discount to both of as no foreseeable expansion is expected to be announced by MUGHAL. At the same time, Cement and ASTL are both executing heavy expansions in the years ahead. Moreover, cement and ASTL both command premium valuations on the back of (i) significant pricing power at the moment, and (ii) smooth electricity supply.

(PkRmn)	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
EBIT	2,154	2,395	2,545	2,723	2,718	2,818	2,918	3,089	3,194
Taxation	(668)	(719)	(764)	(817)	(815)	(846)	(875)	(927)	(958)
Depreciation & Amort.	110	116	122	129	137	145	153	162	171
Capt. Expenditure	(243)	(268)	(286)	(306)	(327)	(296)	(313)	(332)	(352)
Change in W.C	(608)	1	(494)	(420)	(187)	(211)	(201)	(337)	(225)
FCFF	746	1,525	1,124	1,310	1,526	1,611	1,682	1,655	1,830
Terminal Value									17,969
DCFs	746	1,378	907	933	966	887	797	679	654

Enterprise value (PkRmn)	15,402.66
Less: Net Debt (FY16) (PkRmn)	3,861.59
	11,181.08
Outstanding Shares(mn)	125.8
Value per share (PkR)	102.21
Total Return	10%

	P/S (x)		EV/EBITDA (x)		PER (x)		PBV (x)		EPS Growth (%)		ROE (%)	
	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F
Cement Sector	2.66	2.47	6.45	6.04	11.23	9.54	2.18	1.84	16%	18%	21%	21%
ASTL	1.87	1.12	10.62	6.92	18.91	10.51	1.99	1.79	-7%	80%	11%	18%
MUGHAL	**0.70**	**0.64**	**7.29**	**6.30**	**9.70**	**9.08**	**2.70**	**2.29**	**40%**	**7%**	**29%**	**27%**

Downside Risks

Gas supply abandonment…

Any disruption in the gas supply would at worst lead to earnings decline as MUGHAL would be producing on procured/imported billets. Melting process has become essential to exist in prevailing market circumstances. This will make it an even more uncompetitive environment. ASTL is expanding capacity by 300,000tons in FY18; MUGHAL needs to produce more cost efficiently to compete.

Additional duty withdrawal on rebars…

The reversion of the incremental regulatory duty could pose a serious threat to MUGHAL's competitiveness in general given the cheap Chinese imports are prepared to grab the market share. Rebar Traders might come into action with nominal margins to capture the bigger pie. MUGHAL would have to operate at limited margins owing to increased competition.

Increasing Scrap Prices

Recently, rising pressure on the coking coal has translated into more than usual rise in the scrap prices. The scrap prices generally tend to move upwards in winters but it has witnessed an unusual uptick this time around. If the scrap prices fail to normalize post-winter season and pick-up on strong demand outlook, chances are that steel producers might take a hit on margins

Upside Risks

Additional 40MW contract materialization with WAPDA…

The contract with WAPDA is in place but a new load system needs to be built to support the additional supply. The supply would prove to be instrumental as it would enable MUGHAL to achieve full capacity in both the Melting and Rerolling. A major turnaround can be expected as MUGHAL would then potentially become the largest producer and more cost efficient. However, probability of this transpiring in the near term is low, as there is no assurance from WAPDA as yet.

Billet Duty Reduction

A reduction in the RD or a complete withdrawal could be a major positive as the company historically relies on procured billets. If the local producers of billets seem to be exploiting by raising prices abnormally, a duty reduction could be proposed by the government. Since MUGHAL purchases billets, a duty reduction could mean sizeable cuts in the cost of production; hence improving MUGHAL's margins. Also, this can lead to greater allocation of power from the CPP to the re-rolling facility and thus produce more rebars.

In-House Melting Capacity Expansion

A melting facility expansion to match the amount of billets required for rebar production could very well mitigate the risk of purchasing billets. It will enable MUGHAL to insulate its cost structure to the volatility in the billet market. This would however require greater availability of power than at present.

Mughal Iron & Steel - Financials

Profit & Loss Account

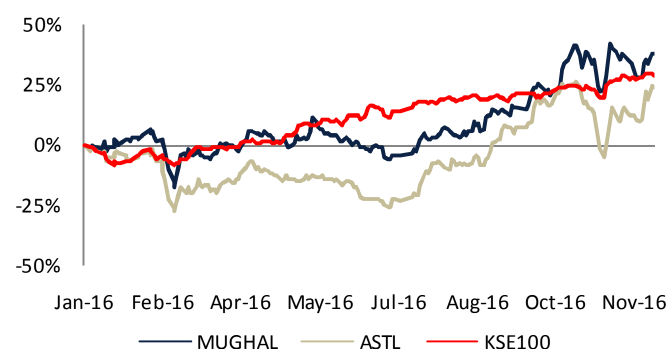
(PkRmn)	FY15A	FY16A	FY17F	FY18F	FY19F
Net Revenue	**12,241**	**18,983**	**17,455**	**19,009**	**20,976**
Cost of sales	10,842	16,847	14,739	16,001	17,763
Gross profit	1,400	2,136	2,717	3,008	3,213
Admin & Selling Exp.	203	277	349	380	420
EBITDA	**1,166**	**1,819**	**2,264**	**2,511**	**2,668**
Dep & Amortization	92	102	110	116	122
EBIT	**1,074**	**1,717**	**2,154**	**2,395**	**2,545**
Financial Charges	(440)	(425)	(340)	(485)	(568)
Other income	14.78	47.36	14.78	14.78	14.78
Other charges	(45)	(87)	(119)	(131)	(141)
Profit before Tax	**634**	**1,292**	**1,814**	**1,911**	**1,978**
Taxation	(25)	(399)	(562)	(573)	(593)
Net Profit after Tax.	**609**	**893**	**1,251**	**1,338**	**1,384**

Key Ratios	FY15A	FY16A	FY17F	FY18F	FY19F
EPS (PkR)	4.84	7.10	9.95	10.63	11.00
EPS Growth (%)	55.8%	46.7%	40.1%	6.9%	3.5%
PER (X)	19.94	13.59	9.70	9.08	8.77
PBV (X)	3.57	2.87	2.70	2.29	1.96
DPS (PkR)	0.50	3.00	3.50	3.50	3.50
DY (%)	0.5%	3.1%	3.6%	3.6%	3.6%
ROE (%)	24%	23%	29%	27%	24%
ROA (%)	7%	8%	10%	10%	10%
D. to Equity (x)	2.37	1.78	1.99	1.70	1.33
EV/Ebitda (x)	12.54	8.80	7.29	6.30	5.85
EBITDA Margin	10%	10%	13%	13%	13%
Gross Margin	11%	11%	16%	16%	15%

Balance Sheet

(PkRmn)	FY15A	FY16A	FY17F	FY18F	FY19F
Non-Current Assets	3,355	3,929	4,062	4,215	4,379
Total Current Assets	**8,112**	**7,851**	**9,368**	**10,088**	**10,068**
Total Assets	**11,467**	**11,780**	**13,430**	**14,303**	**14,447**
Share capital	1,094	1,258	1,258	1,258	1,258
Reserves	2,311	2,977	3,232	4,043	4,940
Surplus on revaluation					
Total Equity	**3,405**	**4,235**	**4,490**	**5,301**	**6,198**
Long Term Debt	951	974	976	937	937
Total Non current Liabilities	**1,250**	**1,683**	**1,686**	**1,646**	**1,646**
Short term Debt	2,359	3,499	5,000	5,000	4,000
Total Current Liabilities	**6,812**	**5,862**	**7,255**	**7,355**	**6,602**
Total Liabilities	**8,062**	**7,545**	**8,940**	**9,002**	**8,249**

Mughal vs. ASTL & KSE100

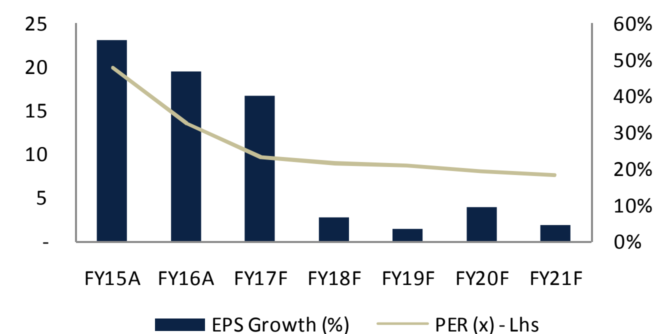


Source: IMS Research

Cash Flow Statement

(PkRmn)	FY15A	FY16A	FY17F	FY18F	FY19F
CF from Operating Activities	1,271	(1,057)	754	1,454	1,013
CF from investing Activities	(1,037)	(260)	(384)	(268)	(286)
CF from Financing Activities	99	1,443	473	(605)	(1,487)
Net decrease/increase in cash	333	126	843	581	(761)
cash at beginning	116	449	575	1,418	1,999
Cash at end of year	449	575	1,418	1,999	1,238

PER (x) vs. EPS Growth (%)



Source: IMS Research

I, Syed Waqas Imam, certify that the views expressed in the report reflect my personal views about the subject securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations made in this report. I further certify that I do not have any beneficial holding of the specific securities that I have recommendations on in this report.

Ratings Guide*	Total Return
Buy	More than 15%
Neutral	Between 0% - 15%
Sell	Below 0%

*Based on 12 month horizon unless stated otherwise in the report. Total Return is sum of any Upside/Downside (percentage difference between the Target Price and Market Price) and Dividend Yield.

Valuation Methodology: We use multiple valuation methodologies in arriving at a Target Price including, but not limited to, Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative multiples based valuations.

Risks: Please refer to page 10.

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